

Message Text

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64/62

ORIGIN EB-11

INFO OCT-01 ADP-00 AF-10 ARA-16 EA-11 EUR-25 NEA-10 RSC-01

SSO-00 NSCE-00 USIE-00 INRE-00 CIAE-00 DODE-00 INR-10

NSAE-00 PA-03 PRS-01 SS-15 NSC-10 /124 R

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FM SECSTATE WASHDC

TO AMEMBASSY TOKYO NIACT IMMEDIATE

AMEMBASSY OTTAWA IMMEDIATE

AMEMBASSY CANBERRA IMMEDIATE

USMISSION EC BRUSSELS IMMEDIATE

INFO ALL DIPLOMATIC AND CONSULAR POSTS PRIORITY

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INFORM CONSULS ZFF TOKYO ONLY

CORRECTED COPY (PARA 2, SUBPARA (3) OMITTED)

E.O. 11652: N/A

TAGS: EAGR, ETRD, EGEN

SUBJ: EXPORT CONTROLS: PHASE IV ECONOMIC STABILIZATION
PROGRAM.

1. WHITE HOUSE ANNOUNCED PHASE IV OF STABILIZATION
PROGRAM AT 4:30 P.M., JULY 18, EDT. FOLLOWING IS EXTRACT
OF PRESIDENT'S MESSAGE AS IT RELATES TO EXPORT CONTROLS:
QUOTE TO RELIEVE THE EXTREME HIGH PRICES OF FEEDS, WHICH
HAVE AN IMPORTANT EFFECT ON PRICES OF MEAT, POULTRY, EGGS,
AND DAIRY PRODUCTS, WE HAVE PLACED LIMITATIONS ON THE
EXPORT OF SOYBEANS AND RELATED PRODUCTS UNTIL THE NEW CROP
COMES INTO THE MARKET. THESE LIMITATIONS WILL REMAIN IN
EFFECT FOR THAT PERIOD. BUT PERMANENT CONTROL OF EXPORTS
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IS NOT THE POLICY OF THIS GOVERNMENT, AND WE DO NOT INTEND

AT THIS TIME TO BROADEN THE CONTROLS BEYOND THOSE NOW IN FORCE. TO A CONSIDERABLE DEGREE, EXPORT CONTROLS ARE SELF-DEFEATING AS AN ANTI-INFLATION MEASURE. LIMITING OUR EXPORTS REDUCES OUR FOREIGN EARNINGS, DEPRESSES THE VALUE OF THE DOLLAR, AND INCREASES THE COST OF THINGS WE IMPORT, WHICH ALSO ENTER INTO THE COST OF LIVING OF THE AMERICAN FAMILY. MOREOVER, LIMITING OUR AGRICULTURAL EXPORTS RUNS COUNTER TO OUR BASIC POLICY OF BUILDING UP OUR AGRICULTURAL MARKETS ABROAD. UNLESS PRESENT CROP EXPECTATIONS ARE SERIOUSLY DISAPPOINTED, OR FOREIGN DEMANDS ARE

EXTREMELY LARGE, EXPORT CONTROLS WILL NOT BE NEEDED. HOWEVER, REPORTS OF EXPORT ORDERS FOR AGRICULTURAL COMMODITIES WILL CONTINUE TO BE REQUIRED. OUR POLICY MUST ALWAYS BE GUIDED BY THE FUNDAMENTAL IMPORTANCE OF MAINTAINING ADEQUATE SUPPLIES OF FOOD AT HOME. UNQUOTE.

2. OTHER ASPECTS OF PHASE IV OF MAIN INTEREST TO POSTS:

- (1) CEILING PRICES ON ALL FOODS EXCEPT BEEF MAY BE INCREASED EFFECTIVE IMMEDIATELY (STAGE A) TO REFLECT RAW AGRICULTURAL COSTS INCREASES SINCE JUNE 8 ON DOLLAR-FOR-DOLLAR BASIS. IN STAGE (B), EFFECTIVE SEPTEMBER 12, CEILING PRICES ON BEEF WILL BE TERMINATED, AND MANUFACTURERS AND PROCESSORS OF FOOD PRODUCTS WILL BE ALLOWED TO PASS THROUGH ALL COST INCREASES ON DOLLAR-FOR-DOLLAR BASIS.
- (2) AN IMMEDIATE INCREASE OF 80 MILLION POUNDS OF NON-FAT DRY MILK WILL BE IMPORTED ON AN EMERGENCY BASIS.
- (3) ALL REMAINING SET-ASIDE ACRES ARE TO BE BROUGHT BACK INTO PRODUCTION IN 1974.
- (4) PHASE IV IS MANDATORY, COVERS MOST SECTORS OF ECONOMY, REQUIRES PRENOTIFICATION AND RESTRICTS PRICE INCREASES TO DOLLAR-FOR-DOLLAR PASS THROUGH OF COSTS.
- (5) FREEZE PRICES EXCEPT FOR FOOD AND HEALTH WILL REMAIN IN EFFECT UNTIL AUGUST 12 IN ALL SECTORS.
- (6) WAGE AND BENEFIT GUIDELINES IN EFFECT DURING PHASE II AND III WILL CONTINUE IN EFFECT DURING PHASE IV.
- (7) SMALL BUSINESS (60 EMPLOYEES OR FEWER, PUBLIC UTILITY UNCLASSIFIED

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RATES, INTEREST RATES AND RENTS, AND WAGES AND PRICES IN LUMBER AND PLYWOOD ARE EXEMPT,

- (8) PRICE CEILINGS FOR GASOLINE, HEATING OIL AND DIESEL FUEL AFTER AUGUST 12 WILL BE ADJUSTED TO REFLECT SELLER'S ACTUAL COST OF PRODUCT PLUS DOLLAR AND CENTS MARKUP APPLIED TO RETAIL SALE OF SAME PRODUCT ON JANUARY 10, 1973. CEILING PRICE ALSO WILL BE ESTABLISHED FOR DOMESTIC CRUDE OIL. INCREASED PRODUCTION (NEW CRUDE PETROLEUM BEYOND

CORRESPONDING 1972 LEVELS) FROM EACH PRODUCING PROPERTY AND AN EQUAL AMOUNT OF CURRENT PRODUCTION (OLD CRUDE PETROLEUM) WILL BE EXEMPT FROM CEILING. MANUFACTURER MAY NOT CHARGE PRICE WHICH EXCEEDS HIS MAY 15, 1973 PRICE WITHOUT PRENOTIFICATION EXCEPT TO REFLECT INCREASED COSTS

OF IMPORTS SUBSEQUENT TO MAY 15, 1973 AND TO REFLECT INCREASED COSTS OF DOMESTIC CRUDE PETROLEUM EXCEPTED FROM CEILING.

(9) COST OF LIVING COUNCIL WILL WORK DIRECTLY WITH REPRESENTATIVES OF SPECIFIC ECONOMIC SECTORS TO DEVELOP PLANS AND COMMITMENTS FOR SUFFICIENT SUPPLY EXPANSION TO ENSURE REASONABLE PRICES, AS PART OF A PLAN TO TERMINATE MANDATORY CONTROLS FOR THOSE SECTORS. RUSH

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